

Report on the

Sumter County Commission

Sumter County, Alabama

October 1, 2017 through September 30, 2018

Filed: November 26, 2021



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Sumter County Commission, Sumter County, Alabama, for the period October 1, 2017 through September 30, 2018, by Examiners Stephanie C. Cave and Sarah Wyatt. I, Stephanie C. Cave, served as the Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Stephanie C. Cave
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Sumter County Commission October 1, 2017 through September 30, 2018

The Sumter County Commission (the “Commission”) is governed by a six-member body elected by the citizens of Sumter County. The members and officials in charge of governance of the Commission are listed on Exhibit 17. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Sumter County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2018.

Financial statements for the fiscal year ending September 30, 2018 were not prepared by management until December 19, 2019. The Commission’s failure to prepare timely financial statements may impact the relevance of the financial information presented to users of the financial statements.

AUDIT FINDING

A finding that was presented in the prior audit has not been resolved as shown on the Schedule of State and Local Compliance and Other Findings, and it is summarized below.

- ◆ 2018-001 relates to the Commission’s failure to comply with the *Code of Alabama 1975*, Section 11-8-10, regarding deficit fund balances. This finding was originally reported as Finding 2016-001.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 17, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Lucinda Cockrell, Administrator; and Commissioners: Marcus Campbell, Drucilla Russ-Jackson, and Tommie Armistead. Also in attendance were representatives from the Department of Examiners of Public Accounts: Shelley Patrenos, Audit Manager; Stephanie Cave, Examiner; and Sarah Wyatt, Examiner.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings

For the Year Ended September 30, 2018

Ref. No.	Finding/Noncompliance
2018-001	<p><u>Finding:</u></p> <p>The <i>Code of Alabama 1975</i>, Section 11-8-10, provides a county commission shall not issue warrants or order the payment of money unless funds are available for payment. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to ensure the county does not expend more funds than it has in available resources. During fiscal year ending September 30, 2018, the Commission expended funds in excess of funds available. The Commission did not have policies and procedures in place to ensure availability of funds prior to disbursement. As a result, the Commission's Gasoline Tax Fund, RRR Gasoline Tax Fund, Lagoon Maintenance Fund and CDBG Fund reported a deficit fund balance of \$90,564.94, \$245,768.72, \$41,143.21 and \$34.58, respectively. This finding was originally reported as Finding 2016-001.</p> <p><u>Recommendation:</u></p> <p>The Commission should establish, implement and maintain policies and procedures to ensure compliance with the <i>Code of Alabama 1975</i>, Section 11-8-10.</p>

Independent Auditor's Report

Independent Auditor's Report

Members of the Sumter County Commission and County Administrator
Livingston, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sumter County Commission, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Sumter County Commission as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

The management of the Sumter County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sumter County Commission, as of September 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

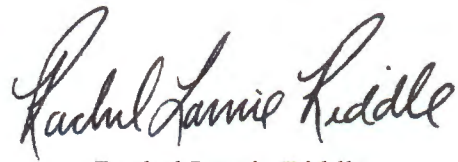
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Employer's Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 16), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 29, 2021, on our consideration of the Sumter County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sumter County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Sumter County Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Rachel Laurie Riddle". The signature is written in a cursive style with a large, stylized "R" at the beginning.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

October 29, 2021

Basic Financial Statements

Statement of Net Position
September 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 369,675.17	\$ 12,370.44	\$ 382,045.61
Receivables, Net (Note 4)	401,823.71	1,014,245.37	1,416,069.08
Ad Valorem Taxes Receivable	2,159,883.26		2,159,883.26
Lease Payment Receivable	1,040,310.00		1,040,310.00
Prepaid Items	22,732.33	586.65	23,318.98
Total Current Assets	3,994,424.47	1,027,202.46	5,021,626.93
<u>Noncurrent Assets</u>			
Restricted Cash with Fiscal Agent	88,644.74		88,644.74
Lease Payment Receivable	20,756,442.50		20,756,442.50
Capital Assets (Note 5):			
Nondepreciable	216,395.00		216,395.00
Depreciable, Net	10,283,084.84		10,283,084.84
Total Noncurrent Assets	31,344,567.08		31,344,567.08
Total Assets	35,338,991.55	1,027,202.46	36,366,194.01
<u>Deferred Outflows of Resources</u>			
Employer Pension Contributions	112,155.00		112,155.00
Related to Defined Benefit Pension Plan	66,955.00		66,955.00
Total Deferred Outflows of Resources	179,110.00		179,110.00
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Payables (Note 7)	320,826.67	120,721.90	441,548.57
Internal Balances (Note 12)	(131,671.70)	131,671.70	
Unearned Revenue	13,987.96		13,987.96
Accrued Wages Payable	41,710.06		41,710.06
Accrued Interest Payable	14,769.84		14,769.84
Long-Term Liabilities (Note 9):			
Portion Due or Payable Within One Year:			
Capital Leases Payable	421,382.77		421,382.77
Warrants Payable	145,000.00		145,000.00
Compensated Absences	11,789.49		11,789.49
Estimated Liability for Landfill Closure and			
Postclosure Care Costs		8,600.00	8,600.00
Total Current Liabilities	\$ 837,795.09	\$ 260,993.60	\$ 1,098,788.69

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Total
<u>Noncurrent Liabilities</u>			
Long-Term Liabilities (Note 9):			
Portions Due or Payable After One Year:			
Capital Leases Payable	\$ 924,786.89	\$	\$ 924,786.89
Warrants Payable	1,695,000.00		1,695,000.00
Compensated Absences	214,230.35		214,230.35
Net Pension Liability	373,187.00		373,187.00
Estimated Liability for Landfill Closure and Postclosure Care Costs		34,400.00	34,400.00
Total Noncurrent Liabilities	3,207,204.24	34,400.00	3,241,604.24
 Total Liabilities	 4,044,999.33	 295,393.60	 4,340,392.93
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Lease Principal	13,450,000.00		13,450,000.00
Unavailable Revenue - Lease Interest	8,346,752.50		8,346,752.50
Unavailable Revenue - Property Tax	2,159,883.26		2,159,883.26
Related to Defined Benefit Pension Plan	391,816.00		391,816.00
Total Deferred Inflows of Resources	24,348,451.76		24,348,451.76
<u>Net Position</u>			
Net Investment in Capital Assets	7,313,310.18		7,313,310.18
Restricted for:			
Highways and Roads	66,571.32		66,571.32
Debt Service	90,791.95		90,791.95
Local Officials	13,629.42		13,629.42
Other Purposes	269,690.65		269,690.65
Unrestricted	(629,343.06)	731,808.86	102,465.80
Total Net Position	\$ 7,124,650.46	\$ 731,808.86	\$ 7,856,459.32

Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 1,701,173.78	\$ 415,212.16	\$ 109,828.94	\$	\$ (1,176,132.68)	\$	\$ (1,176,132.68)
Public Safety	1,800,757.83	71,071.35	203,642.08		(1,526,044.40)		(1,526,044.40)
Highways and Roads	3,572,396.49	180,204.37	2,012,125.04	726,416.58	(653,650.50)		(653,650.50)
Sanitation	119,185.25	21,670.15			(97,515.10)		(97,515.10)
Health	182,150.00				(182,150.00)		(182,150.00)
Welfare	22,305.83				(22,305.83)		(22,305.83)
Culture and Recreation	2,758.37				(2,758.37)		(2,758.37)
Education	5,000.00				(5,000.00)		(5,000.00)
Interest on Long-Term Debt	105,927.03				(105,927.03)		(105,927.03)
Total Governmental Activities	7,511,654.58	688,158.03	2,325,596.06	726,416.58	(3,771,483.91)		(3,771,483.91)
Business-Type Activities:							
Solid Waste	670,037.96	433,597.31				(236,440.65)	(236,440.65)
Total Business-Type Activities	670,037.96	433,597.31				(236,440.65)	(236,440.65)
Total Primary Government	\$ 8,181,692.54	\$ 1,121,755.34	\$ 2,325,596.06	\$ 726,416.58	(3,771,483.91)	(236,440.65)	(4,007,924.56)
General Revenues and Transfers:							
Taxes:							
Property Taxes for General Purposes					1,425,898.57		1,425,898.57
Property Taxes for Specific Purposes					610,500.22		610,500.22
General Sales Tax					1,081,561.79		1,081,561.79
County Gasoline Sales Tax					94,955.16		94,955.16
Waste Taxes					248,609.81	48,000.00	296,609.81
Other County Sales and Use Taxes					254,654.07		254,654.07
Grants/Contributions Not Restricted for Specified Purposes					205,678.34		205,678.34
Interest Revenue					2,648.26		2,648.26
Miscellaneous					276,286.54		276,286.54
Gain on Sale of Capital Assets					572,767.00		572,767.00
Transfers					(289,470.00)	289,470.00	
Total General Revenues and Transfers					4,484,089.76	337,470.00	4,821,559.76
Change in Net Position					712,605.85	101,029.35	813,635.20
Net Position - Beginning of Year					6,412,044.61	630,779.51	7,042,824.12
Net Position - End of Year					\$ 7,124,650.46	\$ 731,808.86	\$ 7,856,459.32

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and Cash Equivalents	\$ 60,661.96	\$ 46,533.14	\$ 6,055.74	\$ 256,424.33	\$ 369,675.17
Cash with Fiscal Agent				88,644.74	88,644.74
Receivables (Note 4)	224,564.65	73,430.36	102,239.66	1,589.04	401,823.71
Ad Valorem Taxes Receivable	1,894,825.26			265,058.00	2,159,883.26
Lease Payments Receivable	21,796,752.50				21,796,752.50
Due from Other Funds	636,699.70	173,529.92		56,272.37	866,501.99
Prepaid Items	16,865.84	5,866.49			22,732.33
Total Assets	24,630,369.91	299,359.91	108,295.40	667,988.48	25,706,013.70
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
<u>Liabilities</u>					
Payables (Note 7)	227,674.04	65,595.26	24,412.07	3,145.30	320,826.67
Due to Other Funds	56,272.37	306,631.83	329,652.05	42,274.04	734,830.29
Unearned Revenue				13,987.96	13,987.96
Accrued Wages Payable	26,236.28	14,127.62		1,346.16	41,710.06
Compensated Absences	8,219.35	3,570.14			11,789.49
Total Liabilities	318,402.04	389,924.85	354,064.12	60,753.46	1,123,144.47
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Property Tax	1,894,825.26			265,058.00	2,159,883.26
Unavailable Revenue - Lease Principal	13,450,000.00				13,450,000.00
Unavailable Revenue - Lease Interest	8,346,752.50				8,346,752.50
Total Deferred Inflows of Resources	23,691,577.76			265,058.00	23,956,635.76
<u>Fund Balances</u>					
Nonspendable:					
Prepaid Expenses	16,865.84	5,866.49			22,732.33
Restricted for:					
Debt Service				104,429.74	104,429.74
Highways and Roads		46,300.65	21,397.91		67,698.56
Local Officials				13,629.42	13,629.42
Other Purposes	4,395.00			265,295.65	269,690.65
Unassigned	599,129.27	(142,732.08)	(267,166.63)	(41,177.79)	148,052.77
Total Fund Balances	620,390.11	(90,564.94)	(245,768.72)	342,177.02	626,233.47
Total Liabilities, Fund Balances and Deferred Inflows of Resources	\$ 24,630,369.91	\$ 299,359.91	\$ 108,295.40	\$ 667,988.48	\$ 25,706,013.70

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2018***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 626,233.47

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)
are different because:

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in governmental funds. These assets consist of:

Land	\$ 216,395.00	
Infrastructure	6,557,679.36	
Buildings and Improvements	2,551,487.78	
Equipment	5,779,849.98	
Asset Under Lease	4,704,536.24	
Equipment Under Lease	871,800.90	
Less: Accumulated Depreciation	<u>(10,182,269.42)</u>	
Total Capital Assets		10,499,479.84

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds.

Deferred Outflows of Resources Related to Defined Benefit Pension Plan	\$ 179,110.00	
Deferred Inflows of Resources Related to Defined Benefit Pension Plan	<u>(391,816.00)</u>	
		(212,706.00)

Certain liabilities are not due and payable in the current period and, therefore, are not
reported as liabilities in the governmental funds. These liabilities at year-end consist of:

	Amounts Due or Payable Within One Year Current	Amounts Due or Payable After One Year Noncurrent	
Warrants Payable	\$ 145,000.00	\$ 1,695,000.00	
Capital Lease Payable	421,382.77	924,786.89	
Compensated Absences		214,230.35	
Accrued Interest Payable	14,769.84		
Net Pension Liability		<u>373,187.00</u>	
Total Long-Term Liabilities	<u>\$ 581,152.61</u>	<u>\$ 3,207,204.24</u>	<u>(3,788,356.85)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 7,124,650.46

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,419,602.19	\$	\$	\$ 296,577.43	\$ 3,716,179.62
Licenses and Permits	15,751.51	28,153.29			43,904.80
Intergovernmental	350,226.23	1,438,408.09	1,088,563.45	211,570.08	3,088,767.85
Charges for Services	434,866.21	173,648.13		24,457.65	632,971.99
Miscellaneous	85,245.49	180,233.74	45.75	193,614.19	459,139.17
Total Revenues	4,305,691.63	1,820,443.25	1,088,609.20	726,219.35	7,940,963.43
Expenditures					
Current:					
General Government	1,444,981.00	368.16		234,083.90	1,679,433.06
Public Safety	1,609,819.86				1,609,819.86
Highways and Roads		1,872,762.61	1,197,397.03		3,070,159.64
Sanitation				59,256.93	59,256.93
Health	182,150.00				182,150.00
Welfare	14,484.00			7,821.83	22,305.83
Culture and Recreation	2,758.37				2,758.37
Education	5,000.00				5,000.00
Capital Outlay	138,697.78	1,793,667.00			1,932,364.78
Debt Service:					
Principal Retirement	17,166.18	265,759.76		345,000.00	627,925.94
Interest and Fiscal Charges	329.94	15,745.26		92,102.50	108,177.70
Total Expenditures	3,415,387.13	3,948,302.79	1,197,397.03	738,265.16	9,299,352.11
Excess (Deficiency) of Revenues over Expenditures	890,304.50	(2,127,859.54)	(108,787.83)	(12,045.81)	(1,358,388.68)
Other Financing Sources (Uses)					
Transfers In	105,000.00	631,152.08		200,986.30	937,138.38
Sale of Capital Assets		1,058,531.00			1,058,531.00
Proceeds from Inception of Capital Lease		475,094.00			475,094.00
Transfers Out	(1,016,608.38)			(210,000.00)	(1,226,608.38)
Total Other Financing Sources (Uses)	(911,608.38)	2,164,777.08		(9,013.70)	1,244,155.00
Net Changes in Fund Balances	(21,303.88)	36,917.54	(108,787.83)	(21,059.51)	(114,233.68)
Fund Balances - Beginning of Year	641,693.99	(127,482.48)	(136,980.89)	363,236.53	740,467.15
Fund Balances - End of Year	\$ 620,390.11	\$ (90,564.94)	\$ (245,768.72)	\$ 342,177.02	\$ 626,233.47

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (114,233.68)

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2)
are different because:

Governmental Funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differed from capital outlay in the current period.

Capital Outlay Expenditures	\$ 1,932,364.78	
Depreciation Expense	<u>(828,792.81)</u>	
		1,103,571.97

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the changes in net position differs from the change in fund balances by this amount.

Proceeds from the Sale of Capital Assets	\$ (1,058,531.00)	
Gain on Sale of Capital Assets	<u>572,767.00</u>	
		(485,764.00)

Repayment of warrant principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 140,000.00

Repayment of capital lease contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 487,925.94

Proceeds from the issuance of debt are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (475,094.00)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consist of:

Net Increase in Compensated Absences	\$	(74,460.05)	
Net Decrease in Pension Expense		128,409.00	
Net Decrease in Accrued Interest Payable		<u>2,250.67</u>	
			<u>56,199.62</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 712,605.85</u></u>

Statement of Net Position
Proprietary Fund
September 30, 2018

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	Total Enterprise Fund
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 12,370.44	\$ 12,370.44
Receivables, Net (Note 4)	1,014,245.37	1,014,245.37
Prepaid Items	586.65	586.65
Total Current Assets	<u>1,027,202.46</u>	<u>1,027,202.46</u>
Total Assets	<u>1,027,202.46</u>	<u>1,027,202.46</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Payables (Note 7)	120,721.90	120,721.90
Due to Other Funds	131,671.70	131,671.70
Estimated Liability for Landfill Closure and Postclosure Care Costs	8,600.00	8,600.00
Total Current Liabilities	<u>260,993.60</u>	<u>260,993.60</u>
<u>Noncurrent Liabilities</u>		
Landfill Closure	34,400.00	34,400.00
Total Noncurrent Liabilities	<u>34,400.00</u>	<u>34,400.00</u>
Total Liabilities	<u>295,393.60</u>	<u>295,393.60</u>
<u>Net Position</u>		
Unrestricted	<u>731,808.86</u>	<u>731,808.86</u>
Total Net Position	<u>\$ 731,808.86</u>	<u>\$ 731,808.86</u>

The accompanying Notes to the Financial Statement are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2018

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Operating Revenues</u>		
Charges for Services	\$ 433,597.31	\$ 433,597.31
Total Operating Revenues	<u>433,597.31</u>	<u>433,597.31</u>
<u>Operating Expenses</u>		
Salaries and Benefits	34,144.76	34,144.76
Contractual and Professional Services	624,627.79	624,627.79
Miscellaneous	8,985.74	8,985.74
Insurance Expense	2,279.67	2,279.67
Total Operating Expenses	<u>670,037.96</u>	<u>670,037.96</u>
Operating Income (Loss)	<u>(236,440.65)</u>	<u>(236,440.65)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Waste Taxes	48,000.00	48,000.00
Total Nonoperating Revenues (Expenses)	<u>48,000.00</u>	<u>48,000.00</u>
Income (Loss) Before Transfers	<u>(188,440.65)</u>	<u>(188,440.65)</u>
<u>Operating Transfers</u>		
Transfers In	289,470.00	289,470.00
Total Operating Transfers	<u>289,470.00</u>	<u>289,470.00</u>
Change in Net Position	101,029.35	101,029.35
Total Net Position - Beginning of Year	<u>630,779.51</u>	<u>630,779.51</u>
Total Net Position - End of Year	<u>\$ 731,808.86</u>	<u>\$ 731,808.86</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2018

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 332,677.06	\$ 332,677.06
Payments for Goods and Services	(624,738.24)	(624,738.24)
Payments to Employees	(34,144.76)	(34,144.76)
Net Cash Provided (Used) by Operating Activities	<u>(326,205.94)</u>	<u>(326,205.94)</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Waste Tax Revenue	48,000.00	48,000.00
Transfers In	289,470.00	289,470.00
Net Cash Provided by Noncapital Financing Activities	<u>337,470.00</u>	<u>337,470.00</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	11,264.06	11,264.06
Cash and Cash Equivalents - Beginning of Year	<u>1,106.38</u>	<u>1,106.38</u>
Cash and Cash Equivalents - End of Year	<u><u>12,370.44</u></u>	<u><u>12,370.44</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income (Loss)	(236,440.65)	(236,440.65)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>		
(Increase)/Decrease in Receivables	(100,892.32)	(100,892.32)
(Increase)/Decrease in Prepaid Items	(27.93)	(27.93)
Increase/(Decrease) in Accounts and Other Payables	10,297.57	10,297.57
Increase/(Decrease) in Wages Payable	(623.70)	(623.70)
Increase/(Decrease) in Due to Other Funds	10,081.09	10,081.09
Increase/(Decrease) in Estimated Liability for Landfill Closure and Postclosure Care Costs	<u>(8,600.00)</u>	<u>(8,600.00)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (326,205.94)</u></u>	<u><u>\$ (326,205.94)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position
September 30, 2018

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 768,888.22	\$ 1,500.11
Investments	2,585,503.43	
Accounts Receivable		91,097.87
Total Assets	<u>3,354,391.65</u>	<u>92,597.98</u>
<u>Liabilities</u>		
Payables (Note 7)		92,597.98
Total Liabilities		<u>\$ 92,597.98</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>3,354,391.65</u>	
Total Net Position	<u>\$ 3,354,391.65</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2018

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions from:	
Excess Land Sales	\$ 13,750.97
Fiduciary Deposits	222,625.84
Miscellaneous	47,738.82
Interest	19,100.03
Total Additions	<u>303,215.66</u>
<u>Deductions</u>	
Administrative Expenses:	
Land Redemption	9,549.52
Payments to Beneficiaries	80,312.37
Other Deductions	80.35
Total Deductions	<u>89,942.24</u>
Change in Net Position	213,273.42
Net Position - Beginning of Year	<u>3,141,118.23</u>
Net Position - End of Year	<u><u>\$ 3,354,391.65</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Sumter County Commission (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Commission is a general-purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column:

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. The General Fund is also used to report the expenditures for building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of seven-cent State gasoline tax revenue for construction, improvement, maintenance, and supervision of highways, bridges, and streets. The Gasoline Tax Fund is also used to account for the expenditures of motor vehicle license taxes and fees and drivers' license revenues for the construction, improvement, and maintenance of public highways.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the expenditures of the County's share of the statewide four-cent gasoline tax. Revenues are earmarked for resurfacing, restoration, and rehabilitation of county roads. The RRR Gasoline Tax Fund is also used to account for the expenditure of State petroleum products inspection fees and penalties thereon.

The Commission reports the following major enterprise fund:

- ◆ **Solid Waste Fund** – This fund is used to account for the cost of providing solid waste service to county residents.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The Commission reports the following fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. The Commission's only investments are certificates of deposit that are reported at cost.

Notes to the Financial Statements

For the Year Ended September 30, 2018

2. Receivables

Sales tax receivables are based on amounts collected 60 days after year-end. Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes were levied by the County Commission in February 2015 and will remain in place unless altered by the County Commission pursuant to a change in tax rate by general law. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, amounts due from municipalities, and amounts due from local officials for various licenses and fees.

Receivables in the Solid Waste Fund are amounts due from customers at September 30. These amounts are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on past collection experience.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Series 2012A General Obligation Debt Service Fund and the 1999 Public Buildings Authority Fund are used to segregate resources accumulated for debt service payments.

Notes to the Financial Statements

For the Year Ended September 30, 2018

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	20 – 50 years
Equipment and Furniture	\$ 5,000	5 – 10 years
System Infrastructure	\$100,000	25 – 40 years
Roads	\$250,000	20 – 50 years
Bridges	\$ 50,000	40 – 50 years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and, therefore, should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

6. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the Commission that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Notes to the Financial Statements

For the Year Ended September 30, 2018

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

8. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

Annual Leave

For the first year through the tenth year, each employee is credited 1 day of annual leave for each month of continuous employment. Upon the completion of the tenth year and each year thereafter, an employee's leave account is credited with 1-1/4 days of leave for each month of continuous employment. Unused annual leave credits may be accumulated and carried over into successive years by employees up to a maximum of 15 days. Upon separation or retirement, employees are paid for accrued annual leave.

Sick Leave

Sick leave benefits with pay are provided for all full-time employees. Permanent full-time employees earn sick leave credit at the rate of 1 workday per month of continuous employment. Earned sick leave will be posted to an employee's account at the end of each month in which it was earned. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees. There is no limit on the number of hours an employee may accrue. Upon leaving the Commission's employment, a full-time employee with ten years or more of service eligible to receive, at one half his regular rate of pay, payment for up to 30 days of his accumulated sick leave. Employees may elect to convert sick leave to earned service at the point of retirement. If such an election is made the employee forfeits the provision for payment of 30 days of sick leave at one half the regular rate of pay.

The Commission uses the vesting method to accrue its sick leave liability. Under this method an accrual for the sick leave liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Notes to the Financial Statements

For the Year Ended September 30, 2018

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and governmental fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

10. Net Position/Fund Balances

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Fund balance is reported in the governmental funds in the fund financial statements and is required to be classified for accounting and reporting purposes into the following fund balance categories:

- A. **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- B. **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, restricted amounts are considered to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Notes to the Financial Statements

For the Year Ended September 30, 2018

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgets

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Notes to the Financial Statements

For the Year Ended September 30, 2018

B. Deficit Fund Balances/Net Position of Individual Funds

At September 30, 2018, the following governmental funds had a deficit fund balance:

Gasoline Tax Fund	\$ 90,564.94
RRR Gasoline Tax Fund	\$245,768.72
Lagoon Maintenance Fund	\$ 41,143.21
CDBG Fund	\$ 34.58

The deficits in the Gasoline Tax Fund, the RRR Gasoline Tax Fund, and the Lagoon Maintenance Fund are a result of inadequate funding. The deficit in the CDBG Fund is due to an interfund payable due to the General Fund for an invoice that was paid and will be eliminated once grant reimbursements are received. Over the past years, the Commission has taken measures to cut expenses in an effort to eliminate the deficits. The Commission is continuing to pursue ways to cut expenses to eliminate the deficit fund balances.

Note 3 – Deposits and Investments

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 4 – Receivables

On September 30, 2018, receivables for the Commission's individual major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts Receivable	Intergovernmental	Total Receivables
<u>Governmental Activities:</u>			
General Fund	\$ 108,656.58	\$115,908.07	\$ 224,564.65
Gasoline Tax Fund		73,430.36	73,430.36
RRR Gasoline Tax Fund		102,239.66	102,239.66
Other Governmental Funds	15.00	1,574.04	1,589.04
Total Governmental Activities	<u>108,671.58</u>	<u>293,152.13</u>	<u>401,823.71</u>
<u>Business-Type Activities:</u>			
Solid Waste Fund:			
Customer Receivables	1,989,566.00		1,989,566.00
Less: Allowance for Doubtful Accounts	(975,320.63)		(975,320.63)
Net Receivables, Business-Type Activities	<u>\$1,014,245.37</u>	<u>\$</u>	<u>\$1,014,245.37</u>

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/01/2017	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2018
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 216,395.00	\$	\$	\$ 216,395.00
Total Capital Assets, Not Being Depreciated	216,395.00			216,395.00
Capital Assets Being Depreciated:				
Infrastructure	6,076,438.36	481,241.00		6,557,679.36
Buildings and Improvements	2,551,487.78			2,551,487.78
Equipment	5,139,789.78	1,265,823.43	(625,763.23)	5,779,849.98
Asset Under Capital Lease	4,704,536.24			4,704,536.24
Equipment Under Capital Lease	1,298,793.55	475,094.00	(902,086.65)	871,800.90
Total Capital Assets Being Depreciated	19,771,045.71	2,222,158.43	(1,527,849.88)	20,465,354.26
Less Accumulated Depreciation for:				
Infrastructure	(1,811,675.05)	(157,926.47)		(1,969,601.52)
Buildings and Improvements	(2,294,731.17)	(69,729.77)		(2,364,460.94)
Equipment	(3,611,091.78)	(444,079.84)	507,375.03	(3,547,796.59)
Asset Under Capital Lease	(2,018,385.50)	(156,817.87)		(2,175,203.37)
Equipment Under Capital Lease	(369,885.34)	(130,646.00)	375,324.34	(125,207.00)
Total Accumulated Depreciation	(10,105,768.84)	(959,199.95)	882,699.37	(10,182,269.42)
Total Capital Assets Being Depreciated, Net	9,665,276.87	1,262,958.48	(645,150.51)	10,283,084.84
Total Governmental Activities Capital Assets, Net	\$ 9,881,671.87	\$1,262,958.48	\$ (645,150.51)	\$ 10,499,479.84
(*) Additions/Reclassifications and Deletions/Reclassifications include reclassifications in the amount of \$289,793.65, along with related depreciation of \$130,407.14, from Equipment Under Capital Lease to Equipment.				

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 75,689.67
Highway and Roads	502,236.85
Public Safety	190,937.97
Sanitation	59,928.32
Total Depreciation Expense – Governmental Activities	<u>\$828,792.81</u>

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The ERS membership includes approximately 88,517 participants from approximately 909 local participating employers. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Post-DROP participants who are still in active service	168
Total	<u>88,517</u>

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the Commission's active employee contribution rate was 5.48 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 5.55 percent of covered employee payroll.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The Commission's contractually required contribution rate for the year ended September 30, 2018, was 6.60 percent of pensionable pay for Tier 1 employees, and 3.43 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$112,155.00 for the year ended September 30, 2018.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward	
	Expected	Actual
Total Pension Liability as of September 30, 2016 (a)	\$7,841,944	\$7,813,212
Discount Rate (b)	7.75%	7.75%
Entry Age Normal Cost for October 1, 2016 – September 30, 2017 (c)	168,395	168,395
Transfers Among Employers (d)		235,202
Actual Benefit Payments and Refunds for the period October 1, 2016 – September 30, 2017 (e)	(503,114)	(503,114)
Total Pension Liability as of September 30, 2017 (f) = [(a) x (1+(b))] + (c) + (d) – [(e) x (1 + .05*(b))]	\$8,095,480	\$8,299,723
Difference between Expected and Actual (g)		\$ 204,243
Less Liability Transferred for Immediate Recognition (h)		235,202
Experience (Gain)/Loss = (g) – (h) (i)		\$ (30,959)

Notes to the Financial Statements

For the Year Ended September 30, 2018

Actuarial Assumptions

The total pension liability as of September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return (*)	7.75%
(*) Net of pension plan investment expense	

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	

(*) Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2018

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2016	\$7,841,944	\$7,054,462	\$ 787,482
Changes for the Year:			
Service Cost	168,395		168,395
Interest	588,255		588,255
Differences Between Expected and Actual Experience	(30,959)		(30,959)
Contributions – Employer		127,296	(127,296)
Contributions – Employee		111,308	(111,308)
Net Investment Income		901,382	(901,382)
Benefit Payments, including Refunds of Employee Contributions	(503,114)	(503,114)	
Transfers Among Employers	235,202	235,202	
Net Changes	457,779	872,074	(414,295)
Balances at September 30, 2017	\$8,299,723	\$7,926,536	\$ 373,187

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's net pension liability calculated using the discount rate of 7.75%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Commission's Net Pension Liability (Asset)	\$1,220,784	\$373,187	\$(353,669)

Notes to the Financial Statements

For the Year Ended September 30, 2018

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the Commission recognized pension income of \$16,254.00. At September 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$152,401
Changes of assumptions	66,955	
Net difference between projected and actual earnings on pension plan investments		239,415
Employer contributions subsequent to the measurement date	112,155	
Total	<u>\$179,110</u>	<u>\$391,816</u>

The \$112,155 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2019	\$(116,013)
2020	\$ (47,322)
2021	\$ (87,326)
2022	\$ (73,591)
2023	\$ (609)
Thereafter	\$

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 7 – Payables

On September 30, 2018, payables for the Commission's individual major funds and nonmajor governmental and fiduciary funds in the aggregate are as follows:

	Vendors	Other	Total Payables
<u>Governmental Funds:</u>			
General Fund	\$136,576.12	\$91,097.92	\$227,674.04
Gasoline Tax Fund	65,595.26		65,595.26
RRR Gasoline Tax Fund	24,412.07		24,412.07
Other Governmental Funds	3,145.30		3,145.30
Total Governmental Funds	<u>229,728.75</u>	<u>91,097.92</u>	<u>320,826.67</u>
<u>Enterprise Funds:</u>			
Solid Waste Fund	120,721.90		120,721.90
Total Enterprise Funds	<u>120,721.90</u>		<u>120,721.90</u>
<u>Fiduciary Funds:</u>			
Agency Funds		92,597.98	92,597.98
Total Fiduciary Funds	<u>\$</u>	<u>\$92,597.98</u>	<u>\$ 92,597.98</u>

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 8 – Lease Obligations

Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Equipment under capital leases totaled \$871,800.90 for governmental activities September 30, 2018. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2019	\$221,022.42
2020	213,732.36
2021	170,454.07
2022	84,783.84
Total Minimum Lease Payments	689,992.69
Less: Amount Representing Interest	(38,823.03)
Present Value of Net Minimum Lease Payments	\$651,169.66

Notes to the Financial Statements

For the Year Ended September 30, 2018

Funding Agreement

The Commission is obligated under a funding agreement accounted for as a capital lease. Assets under capital lease totaled \$4,704,536.24 in governmental activities at September 30, 2018. If the Commission completes the lease payments according to the schedule below, which is the stated intent of the Commission, ownership of the leased assets will pass to the Commission. Until that time, the leased assets will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2018.

Fiscal Year Ending	Governmental Activities
September 30, 2019	\$253,345.00
2020	250,520.00
2021	251,982.50
Total Minimum Lease Payments	755,847.50
Less: Amount Representing Interest	(60,847.50)
Present Value of Net Minimum Lease Payments	\$695,000.00

Direct Financing Lease

On September 1, 2009, the Sumter County Commission issued Limited Obligation School Warrants, Series 2009 in the amount of \$15,820,000.00. The warrants were issued to provide funds to pay the costs of constructing and equipping a new consolidated high school in and for the county for lease to and occupancy by the Sumter County Board of Education and to refund and retire the Limited Obligation School Warrants, Series 2004. The Commission paid the net proceeds of the issue to the Sumter Board of Education. Simultaneously, the Commission entered into a direct financing lease with the Board. Under the terms of the agreement, the Commission will lease the new high school to the Board for a term extending until the final maturity of the Series 2009 Warrants. The Board agreed to pay principal and interest payments on the funding agreement for the facilities that coincide with the principal and interest payments due under the warrants. At the completion of the payments, ownership of the property will pass to the Board.

Total Minimum Lease Payments Receivable	\$21,796,752.50
Less: Lease Interest	(8,346,752.50)
Total Lease Payments Receivable, Net	\$13,450,000.00

Notes to the Financial Statements

For the Year Ended September 30, 2018

At September 30, 2018, minimum lease payments for each of the five succeeding fiscal years are as follows:

September 30, 2019	\$1,040,310.00
2020	1,039,410.00
2021	1,037,700.00
2022	1,039,740.00
2023	1,035,380.00
Total	<u>\$5,192,540.00</u>

Note 9 – Long-Term Debt

Warrants Payable

The Commission issues General Obligation Warrants to provide funds for the acquisition and construction of major capital facilities.

On November 1, 2012, the Sumter County Commission issued General Obligation Warrants, Series 2012-A in the amount of \$2,645,000 for the purpose of refunding the General Obligation Warrants, Series 2003 and the General Obligation Warrants, Series, 1999.

Funding Agreement – Capital Lease

On January 1, 2001, the Sumter County Public Building Authority (the “Authority”), issued \$3,125,000.00 in Limited Obligation Warrants for the purpose of acquiring the existing county jail and the acquisition, construction, equipping and installation of a new county jail. Simultaneously, the Sumter County Commission entered into a capital lease agreement with the Authority. Under the terms of the agreement, the Commission transferred the real property on which the new jail will be located and the real property on which the existing jail facilities are located to the Authority. The Commission agreed to lease this property from the Authority and pay lease payments sufficient to pay principal and interest due on the Series 2001 Limited Obligation Warrants. At the end of the lease term, the Commission can buy the property for \$1.00.

Capital Lease – Equipment

The Commission is obligated under certain leases accounted for as capital leases for the purpose of purchasing road equipment and public safety equipment. Payments on leases for road equipment are made by the Gasoline Tax Fund. Payments on leases for public safety equipment are made by the General Fund.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2018:

	Debt Outstanding 10/01/2017	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2018	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
Warrants Payable	\$1,980,000.00	\$	\$ (140,000.00)	\$1,840,000.00	\$145,000.00
Total Warrants Payable	1,980,000.00		(140,000.00)	1,840,000.00	145,000.00
<u>Other Liabilities:</u>					
Capital Leases Payable	1,359,001.60	475,094.00	(487,925.94)	1,346,169.66	421,382.77
Compensated Absences	143,751.51	82,268.33		226,019.84	11,789.49
Net Pension Liability	787,482.00		(414,295.00)	373,187.00	
Total Other Liabilities	2,290,235.11	557,362.33	(902,220.94)	1,945,376.50	433,172.26
Total Governmental Activities Long-Term Liabilities	4,270,235.11	557,362.33	(1,042,220.94)	3,785,376.50	578,172.26
<u>Business-Type Activities:</u>					
<u>Other Liabilities:</u>					
Landfill Postclosure Care Costs	51,600.00		(8,600.00)	43,000.00	8,600.00
Total Business-Type Activities Long-Term Liabilities	\$ 51,600.00	\$	\$ (8,600.00)	\$ 43,000.00	\$ 8,600.00

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the Debt Service Funds. The capital lease liability for governmental activities will be liquidated by the Gasoline Tax Fund for capital leases pertaining to road equipment.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 54% has been paid by the General Fund and 46% by the Gasoline Tax Fund.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Governmental Activities				Total Principal and Interest Requirements to Maturity
	Capital Lease Payable		Warrants Payable		
	Principal	Interest	Principal	Interest	
September 30, 2019	\$ 421,382.77	\$52,984.65	\$ 145,000.00	\$ 43,082.50	\$ 662,449.92
2020	431,189.49	33,062.87	150,000.00	39,395.00	653,647.36
2021	409,881.49	12,555.08		37,520.00	459,956.57
2022	83,715.91	1,067.93	270,000.00	34,550.00	389,333.84
2023			280,000.00	28,360.00	308,360.00
2024-2027			995,000.00	44,180.00	1,039,180.00
Totals	\$1,346,169.66	\$99,670.53	\$1,840,000.00	\$227,087.50	\$3,512,927.69

Notes to the Financial Statements

For the Year Ended September 30, 2018

Pledged Revenues

On November 1, 2012, the Sumter County Commission issued General Obligation Warrants, Series 2012-A in the amount of \$2,645,000.00 for the purpose of refunding the General Obligations Warrants, Series 2003 and the General Obligation Warrants, Series 1999. The Commission pledged to repay the general obligation warrants from the proceeds of a one-cent sales tax. Future revenues of \$2,067,087.50 are pledged to repay the principal and interest on the warrants as of September 30, 2018. Proceeds of the one-cent sales tax in the amount of \$1,081,561.79 were received by the Commission during the fiscal year ended September 30, 2018, of which \$186,645.00 was used to pay the principal and interest on the warrants. The Series 2012-A General Obligations Warrants will mature in fiscal year 2027.

On January 1, 2001, the Sumter County Public Building Authority (the “Authority”), issued \$3,125,000.00 in Limited Obligation Warrants for the purpose of acquiring the existing county jail and the acquisition, construction, equipping and installation of a new county jail. Simultaneously, the Sumter County Commission entered into a capital lease agreement with the Authority. The Commission pledged to repay the funding agreement from the proceeds of a one-cent sales tax. Future revenues of \$755,847.50 are pledged to repay the principal and interest on the funding agreement as of September 30, 2018. Proceeds of the one-cent sales tax in the amount of \$1,081,561.79 were received by the Commission during the fiscal year ended September 30, 2018, of which \$250,457.50 was used to pay principal and interest on the funding agreement. The funding agreement will mature in fiscal year 2021.

Financial Guarantor – York Health Care Authority

The Sumter County Commission approved a resolution on September 26, 2011, authorizing the execution and delivery of the Limited Guaranty and Funding Agreement between the Commission, the City of York Health Care Authority and Regions Bank as part of the issuance of Special Tax Anticipation Bonds by the City of York Health Care Authority. As part of the agreement, the Commission has agreed to assist the City of York Health Care Authority in the issuance of the Bonds. The Commission guarantees to Regions Bank that the Commission will replenish the debt service funds established for the benefit of the bonds in an amount up to but not exceeding \$60,000 annually. The Commission also agrees to pay \$50,000 annually toward debt service on the Bonds. On November 30, 2011, the Commission closed on the Special Tax Anticipation Bonds, Series 2011 in the amount of \$2,165,000. York Health Care Authority’s waste tax allocation in the amount of \$50,000 was used to pay the Commission’s annual debt service allocation. The bonds will mature in fiscal year 2042.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 10 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the Sumter County Commission place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill postclosure care costs for the Commission's closed landfill at September 30, 2018, was \$43,000.00. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2018. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

Notes to the Financial Statements

For the Year Ended September 30, 2018

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees may choose between two options. They may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Note 12 – Interfund Transactions

Interfund Receivables/Payables

The amounts of interfund receivables and payables during the fiscal year ended September 30, 2018, were as follows:

	Interfund Receivables			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Totals
<u>Interfund Payables</u>				
<u>Governmental Funds:</u>				
General Fund	\$	\$	\$56,272.37	\$ 56,272.37
Gasoline Tax Fund	306,631.83			306,631.83
RRR Gasoline Tax Fund	167,652.05	162,000.00		329,652.05
Other Governmental Funds	42,274.04			42,274.04
Total Governmental Funds	516,557.92	162,000.00	56,272.37	734,830.29
<u>Proprietary Fund:</u>				
Solid Waste Fund	120,141.78	11,529.92		131,671.70
Totals	\$636,699.70	\$173,529.92	\$56,272.37	\$866,501.99

Notes to the Financial Statements

For the Year Ended September 30, 2018

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2018, were as follows:

	Transfers Out		
	General Fund	Other Governmental Funds	Totals
<u>Transfers In:</u>			
<u>Governmental Funds:</u>			
General Fund	\$	\$105,000.00	\$ 105,000.00
Gasoline Tax Fund	535,152.08	96,000.00	631,152.08
Other Governmental Funds	200,986.30		200,986.30
Total Governmental Funds	736,138.38	201,000.00	937,138.38
<u>Proprietary Fund:</u>			
Solid Waste Fund	280,470.00	9,000.00	289,470.00
Totals	\$1,016,608.38	\$210,000.00	\$1,226,608.38

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General Fund to the Debt Service Funds to service current-year debt requirements.

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 13 – Related Organizations

A majority of the members of the Board of the organizations listed below are appointed by the Sumter County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for these organizations and the organizations are not considered part of the Commission's financial reporting entity. The organizations presented below are considered to be related organizations of the County Commission.

Related Organizations
Sumter County Water Authority Sumter Industrial Development Authority Sumter Parks and Recreation Board Sumter E911 Board Sumter Sewer Authority West Alabama Mental Health Board Sumter Human Resources Board Sumter Public Building Authority

Note 14 – Tax Abatements

The Sumter County Commission is subject to tax abatement agreements granted by the City of Livingston. This government entered into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, *Code of Alabama 1975*, Section 40-9(B)-(1-13). Under the Act, localities may grant property tax abatements for all state and local non-educational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Sumter County. These programs have the stated purpose of increasing business activity and employment in the County.

Notes to the Financial Statements

For the Year Ended September 30, 2018

For the fiscal year ended September 30, 2018, total property taxes abated were \$11,837.44, including the following tax abatement agreements:

Granting Jurisdiction	Type	Property Tax
City of Livingston	Paper Products Manufacturing	\$ 4,716.82
City of Livingston	Biofuels Production	7,220.58
Totals		<u>\$11,837.44</u>

The following tax abatements exceeded 10 percent of the total amount abated:

- ◆ A 56 percent property tax abatement to a paper products manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$4,716.82.
- ◆ A 56 percent property tax abatement to a biofuel production business for increasing size of its facilities and increasing employment. The abatement amounted to \$7,220.58.

Note 15 – Subsequent Events

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same date, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was a substantial impact on the Sumter County Commission's revenues from several key sources. Sumter County Commission gasoline tax revenues decreased by \$95,217.81 in fiscal year 2020 as compared to the previous fiscal year. As expected, the Sumter County Commission incurred an increase in costs associated with the aftermath of COVID-19. These costs, in the amount of \$614,337.00 were reimbursed through the Coronavirus Relief Fund of the federal government during fiscal years 2020 and 2021. The Sumter County Commission's fiscal year 2021 budget, as approved by the county commission, provided for several reductions in anticipated revenues and estimated expenditures for many of the funds of the Commission as compared to the previous fiscal year. Due to the impact and severity of the COVID-19 pandemic, the Sumter County Commission anticipates that its financial operations will require assistance from further programs of the federal government.

The Commission has received notice from the Alabama Department of Environmental Management (ADEM) that the Sumter County Landfill must be remediated due to contaminants found outside of the 21 acre landfill area. On October 13, 2021, the Commission submitted a preliminary remediation plan to ADEM for approval. If approved, the total cost of the remediation is estimated to range from \$1,750,000.00 to \$2,250,000.00.

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2018

	2017	2016	2015	2014
<u>Total pension liability</u>				
Service Cost	\$ 168,395	\$ 174,711	\$ 170,947	\$ 195,158
Interest	588,255	579,600	576,277	547,488
Difference between expected and actual experience	(30,959)	(14,128)	(328,494)	
Change of assumptions		108,803		
Benefit payments, including refunds of employee contributions	(503,114)	(376,362)	(378,028)	(387,531)
Transfer Among Employers	235,202	(63,860)		
Net change in total pension liability	457,779	408,764	40,702	355,115
Total pension liability - beginning	7,841,944	7,433,180	7,392,478	7,037,363
Total pension liability - ending (a)	<u>\$ 8,299,723</u>	<u>\$ 7,841,944</u>	<u>\$ 7,433,180</u>	<u>\$ 7,392,478</u>
<u>Plan fiduciary net position</u>				
Contributions - employer	\$ 127,296	\$ 156,220	\$ 185,039	\$ 147,942
Contributions - employee	111,308	114,582	135,280	157,105
Net investment income	901,382	659,861	77,422	716,040
Benefit payments, including refunds of employee contributions	(503,114)	(376,362)	(378,028)	(387,531)
Other (Transfers among employers)	235,202	(63,860)	(20,869)	(154,680)
Net change in plan fiduciary net position	872,074	490,441	(1,156)	478,876
Plan fiduciary net position - beginning	7,054,462	6,564,021	6,565,177	6,086,301
Plan fiduciary net position - ending (b)	<u>\$ 7,926,536</u>	<u>\$ 7,054,462</u>	<u>\$ 6,564,021</u>	<u>\$ 6,565,177</u>
Commission's net pension liability - ending (a) - (b)	\$ 373,187	\$ 787,482	\$ 869,159	\$ 827,301
Plan fiduciary net position as a percentage of the total pension liability	95.50%	89.96%	88.31%	88.81%
Covered payroll (*)	\$ 2,121,603	\$ 2,064,156	\$ 2,009,728	\$ 1,884,587
Commission's net pension liability as a percentage of covered payroll	17.59%	38.15%	43.25%	43.90%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017. The GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions
For the Year Ended September 30, 2018

	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 112,155	\$ 127,296	\$ 156,220	\$ 185,039	\$ 147,942
Contributions in relation to the actuarially determined contribution	\$ 112,155	\$ 127,296	\$ 156,220	\$ 185,039	\$ 147,942
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 2,020,621	\$ 2,121,603	\$ 2,064,156	\$ 2,009,728	\$ 1,884,587
Contributions as a percentage of covered payroll	5.55%	6.00%	7.57%	9.21%	7.85%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments.
The Schedule of Employer's Contributions is based on the 12-month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2018 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	20.5 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Taxes	\$ 2,065,936.00	\$ 2,065,936.00	\$ 3,039,679.01	(1)	\$ 379,923.18	\$ 3,419,602.19
Licenses and Permits	13,600.00	13,600.00	15,751.51			15,751.51
Intergovernmental	375,655.00	375,655.00	345,596.18	(1)	4,630.05	350,226.23
Charges for Services	343,600.00	343,600.00	434,866.21			434,866.21
Miscellaneous	39,517.00	39,517.00	85,245.49			85,245.49
Total Revenues	2,838,308.00	2,838,308.00	3,921,138.40		384,553.23	4,305,691.63
<u>Expenditures</u>						
Current:						
General Government	1,703,909.00	1,703,909.00	1,444,981.00			1,444,981.00
Public Safety	1,647,473.00	1,647,473.00	1,609,819.86			1,609,819.86
Health	18,450.00	18,450.00	182,150.00			182,150.00
Welfare	15,564.00	15,564.00	14,484.00			14,484.00
Culture and Recreation	50,400.00	50,400.00	2,758.37			2,758.37
Education	5,000.00	5,000.00	5,000.00			5,000.00
Capital Outlay			138,697.78			138,697.78
Debt Service						
Principal Retirement			17,166.18			17,166.18
Interest and Fiscal Charges			329.94			329.94
Total Expenditures	3,440,796.00	3,440,796.00	3,415,387.13			3,415,387.13
Excess (Deficiency) of Revenues Over Expenditures	(602,488.00)	(602,488.00)	505,751.27		384,553.23	890,304.50
<u>Other Financing Sources (Uses)</u>						
Transfers In	371,000.00	371,000.00	105,000.00			105,000.00
Transfers Out	(293,673.00)	(293,673.00)	(631,456.30)	(2)	(385,152.08)	(1,016,608.38)
Total Other Financing Sources (Uses)	77,327.00	77,327.00	(526,456.30)		(385,152.08)	(911,608.38)
Net Change in Fund Balances	(525,161.00)	(525,161.00)	(20,705.03)		(598.85)	(21,303.88)
Fund Balances - Beginning of Year	544,000.00	544,000.00	638,685.93	(3)	3,008.06	641,693.99
Fund Balances - End of Year	\$ 18,839.00	\$ 18,839.00	\$ 617,980.90		\$ 2,409.21	\$ 620,390.11

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.

(1) Revenues	
Roads and Bridges Fund	\$ 384,553.23
(2) Other Financing Sources/(Uses), Net	
Road and Bridges Fund	<u>(385,152.08)</u>
Net Decrease in Fund Balance - Budget to GAAP	<u>\$ (598.85)</u>

- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Licenses and Permits	\$	\$	\$	(1)	\$ 28,153.29	\$ 28,153.29
Intergovernmental	1,176,000.00	1,176,000.00	1,419,802.62	(1)	18,605.47	1,438,408.09
Charges for Services	4,720.00	4,720.00	173,648.13			173,648.13
Miscellaneous			180,233.74			180,233.74
Total Revenues	1,180,720.00	1,180,720.00	1,773,684.49		46,758.76	1,820,443.25
<u>Expenditures</u>						
Current:						
General Government				(2)	(368.16)	368.16
Highways and Roads	2,439,526.00	2,439,526.00	1,872,762.61			1,872,762.61
Capital Outlay	1,849,348.00	1,849,348.00	1,793,667.00			1,793,667.00
Debt Service:						
Principal Retirement	302,537.00	302,537.00	265,759.76			265,759.76
Interest and Fiscal Charges	10,133.00	10,133.00	15,745.26			15,745.26
Total Expenditures	4,601,544.00	4,601,544.00	3,947,934.63		(368.16)	3,948,302.79
Excess (Deficiency) of Revenues Over Expenditures	(3,420,824.00)	(3,420,824.00)	(2,174,250.14)		46,390.60	(2,127,859.54)
<u>Other Financing Sources (Uses)</u>						
Transfers In	1,637,462.00	1,637,462.00	671,952.08	(3)	(40,800.00)	631,152.08
Sale of Capital Assets	1,169,000.00	1,169,000.00	1,058,531.00			1,058,531.00
Issuance of Debt	765,000.00	765,000.00				
Proceeds from Capital Lease			475,094.00			475,094.00
Total Other Financing Sources (Uses)	3,571,462.00	3,571,462.00	2,205,577.08		(40,800.00)	2,164,777.08
Net Change in Fund Balances	150,638.00	150,638.00	31,326.94		5,590.60	36,917.54
Fund Balances - Beginning of Year			(168,192.53)	(4)	40,710.05	(127,482.48)
Fund Balances - End of Year	\$ 150,638.00	\$ 150,638.00	\$ (136,865.59)		\$ 46,300.65	\$ (90,564.94)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2018

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Some amounts are combined with the Gasoline Tax Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Public Highway and Traffic Fund	\$	46,758.76
(2) Expenditures		
Public Highway and Traffic Fund		(368.16)
(3) Other Financing Sources/(Uses), Net		
Public Highway and Traffic Fund		<u>(40,800.00)</u>
Net Increase in Fund Balance - Budget to GAAP	\$	<u><u>5,590.60</u></u>
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.		

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Intergovernmental	\$ 985,000.00	\$ 985,000.00	\$ 863,163.03	(1)	\$ 225,400.42	\$ 1,088,563.45
Miscellaneous				(1)	45.75	45.75
Total Revenues	985,000.00	985,000.00	863,163.03		225,446.17	1,088,609.20
Expenditures						
Current:						
Highways and Roads	350,000.00	350,000.00	1,182,397.03	(2)	(15,000.00)	1,197,397.03
Total Expenditures	350,000.00	350,000.00	1,182,397.03		(15,000.00)	1,197,397.03
Excess (Deficiency) of Revenues Over Expenditures	635,000.00	635,000.00	(319,234.00)		210,446.17	(108,787.83)
Other Financing Sources (Uses)						
Transfers In	233,000.00	233,000.00	210,000.00	(3)	(210,000.00)	
Transfers Out	(850,000.00)	(850,000.00)				
Total Other Financing Sources (Uses)	(617,000.00)	(617,000.00)	210,000.00		(210,000.00)	
Net Change in Fund Balances	18,000.00	18,000.00	(109,234.00)		446.17	(108,787.83)
Fund Balances - Beginning of Year			(157,932.63)	(4)	20,951.74	(136,980.89)
Fund Balances - End of Year	\$ 18,000.00	\$ 18,000.00	\$ (267,166.63)		\$ 21,397.91	\$ (245,768.72)

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

Some amounts are combined with the RRR Gasoline Tax Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Secondary Road Fund	\$	225,446.17
(2) Expenditures		
Secondary Road Fund		(15,000.00)
(3) Other Financing Sources/(Uses), Net		
Secondary Road Fund		(210,000.00)
Net Increase in Fund Balance - Budget to GAAP	\$	446.17
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.		

Additional Information

Commission Members and Administrative Personnel
October 1, 2017 through September 30, 2018

Commission Members		Term Expires
Hon. Marcus Campbell	Chairman	2022
Hon. Drucilla Russ-Jackson	Vice-Chairman	2022
Hon. Archie L. Hall, Jr.	Member	2022
Hon. Ben Walker	Member	2018
Hon. Tommie Armistead	Member	2022
Hon. Robert P. Ezell	Member	2022
<u>Administrative Personnel</u>		
Lucinda Cockrell	County Administrator	Indefinite

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the Sumter County Commission and County Administrator
Livingston, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sumter County Commission, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Sumter County Commission's basic financial statements and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sumter County Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sumter County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sumter County Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sumter County Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. However, we noted a certain matter that we have reported to the management of the Sumter County Commission in the Schedule of State and Local Compliance and Other Findings.

Sumter County Commission's Response to the Finding

The Sumter County Commission's response to the finding identified on the Schedule of State and Local Compliance and Other Findings in our audit is described in the accompanying Auditee Response. The Sumter County Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

October 29, 2021

Auditee Response



Sumter County Commission

Sumter County

P.O. Box 70
LIVINGSTON, ALABAMA 35470

TELEPHONE: (205) 652-2731
FAX: (205) 652-9439

The Sumter County Commission has prepared and hereby submits the following Auditee Response for the finding which is included in the Schedule of State and Local Compliance and Other Findings for the year ended September 30, 2018.

Finding

Ref.

No.

Corrective Action Plan Details

2018-001

Finding:

The Code of Alabama 1975, Section 11-8-10, provides a county commission shall not issue warrants or order the payment of money unless funds are available for payment. Therefore, to fulfill the responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to ensure the county does not expend more funds than it has in available resources. During fiscal year ending September 30, 2018, the Commission expended funds in excess of funds available. The Commission did not have policies and procedures in place to ensure availability of funds prior to disbursement. As a result, the Commission's Gasoline Tax Fund, RRR Gasoline Tax Fund, Lagoon Maintenance Fund and CDBG Fund reported a deficit fund balance of \$90,564.94, \$245,768.72, \$41,143.21 and \$34.58, respectively.

This finding was previously reported as Finding 2017-001 and Finding 2016-001.

Recommendation:

The Commission should establish, implement and maintain policies and procedures to ensure compliance with the Code of Alabama 1975, Section 11-8-10.

Response/Views: We agree with the findings.

Corrective Action Planned: The cash balance in the CDBG Fund account will be reclassified to avoid the appearance of a deficit.

Additional funds will be budgeted to subsidize the cost of operating the Bellamy Lagoon.

RRR Gasoline Fund revenues will be directed to the payables incurred to provide the match for the Alabama Transportation Rehabilitation Program (ATRIP).

The Gasoline Tax Fund revenues and expenditures will be closely monitored to ensure that funds are available prior to the issuance of purchase orders. Additional meetings will be scheduled with the County Engineering Department to determine the timing of expenditures for normal operations and special projects.

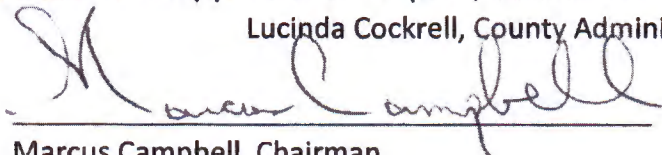
Reason for the Recurrence: A CDBG Fund bank account was established as a permanent account and is maintained with a General Fund transfer of \$250 or less to avoid an inactive classification by the bank. Reclassification of the transferred cash will eliminate the deficit fund balance.

The RRR Gasoline Tax Fund and Gasoline Tax Fund deficits are a direct result of the acceptance of funding from the Alabama Transportation Rehabilitation Program (ATRIP). The program provided a tremendous opportunity for Sumter County to access funding for public roads and bridges.

Fees collected from the users of the sewer system are not sufficient to cover the operating expenses of the aging facility. The Commission is hesitant to increase fees because a majority of the citizens are low income.

Anticipated Completion Date: The deficit fund balance of the RRR Gasoline Tax Fund is substantially decreased in the 2019 fiscal period and eliminated in the 2020 fiscal period. The deficit fund balance of the CDBG Fund was eliminated in the 2020 fiscal period. The deficit fund balance of the Bellamy Lagoon Fund was eliminated in the 2021 fiscal period. The deficit fund balance of the Gasoline Tax Fund is significantly reduced in the 2021 fiscal period.

Contact Person(s): Marcus Campbell, Sumter Commission Chairman
Lucinda Cockrell, County Administrator

A handwritten signature in black ink, appearing to read 'Marcus Campbell', is written over a horizontal line.

Marcus Campbell, Chairman
Sumter County Commission